



# WASHOE COUNTY

Integrity Communication Service

[www.washoecounty.us](http://www.washoecounty.us)

CM/ACM	<u>CV</u>
Finance	<u>JB</u>
DA	<u>PL</u>
Risk Mgt	<u>N/A</u>
HR	<u>N/A</u>
Other	<u>CH</u>

## STAFF REPORT

BOARD MEETING DATE: June 27, 2017

**DATE:** Wednesday, June 14, 2017

**TO:** Board of County Commissioners

**FROM:** Doreen Ertell, Risk Management Division  
328-2660, [dertell@washoecounty.us](mailto:dertell@washoecounty.us)

**THROUGH:** Cathy Hill, Comptroller  
328-2563, [chill@washoecounty.us](mailto:chill@washoecounty.us)

**SUBJECT:** Recommendation to authorize the Comptroller to renew the Excess Workers' Compensation Insurance Policy with New York Marine and General Insurance Company for one year at a premium of [\$266,205] and the Property Insurance Policy with the Public Entity Property Insurance Program for an annual cost of [\$487,121] effective July 1, 2017 and authorize the Comptroller's Office to sign the applications and agreements necessary to bind coverage, funding from the Risk Management Fund source. (All Commission Districts)

### SUMMARY

Seeking Board authorization to renew the Excess Workers' Compensation Insurance Policy and the Property Insurance Policy. Both policies are written on an annual term with an effective date of July 1, 2017.

**Washoe County Strategic Objective supported by this item:** Stewardship of Our Community.

### PREVIOUS ACTION

On June 28, 2016, the Board authorized the renewal of the above referenced policies for a one year term.

### BACKGROUND

The County's broker, Wells Fargo Insurance Services of Reno, Nevada, monitors changes in the marketplace and solicits bids from interested and qualified carriers when appropriate.

**Excess Workers' Compensation Insurance.** Washoe County has been self-insured for workers' compensation since July 1, 1981. Nevada law requires any self-insured employer for workers' compensation to maintain a policy of excess insurance to protect the employer from large or catastrophic losses.

The incumbent market, New York Marine, has offered to renew the County's Excess Workers' Compensation policy for a premium of [\$266,205]. This is an increase of 9.7% over last year's premium of \$242,587. Rated payroll increased by 2.6% and the premium rate increased by 6.7% due to adverse claim development.

The expiring policy has a self-insured retention of \$1.5 million for all classes of employment except for a self-insured retention of \$2.5 million which applies to presumptive claims only. The lower \$1.5 million retention will apply to all other occupational injuries.

The coverage offered by New York Marine includes several important endorsements and extensions including aviation coverage, deletion of the late reporting penalty and a limited Communicable Disease Endorsement with a sub-limit of \$50 million. Subject to policy terms, the Communicable Disease endorsement requires just one retention if more than one person contracts a communicable disease.

New York Marine maintains an A.M. Best's financial rating of A IX which means the management is "excellent" and the surplus for paying claims is \$250 million to \$500 million.

There are a limited number of markets who will write Excess Workers' Compensation Insurance for public entities with presumptive benefits exposure. Wells Fargo Insurance requested quotes from the other markets and received the most competitive quote from New York Marine.

**Property Insurance.** The incumbent market, Public Entity Property Insurance Program (PEPIP), has offered to renew the County's Property policy for an annual cost of [\$487,121]. This is an increase of 0.85% or \$4,101 over last year's total cost of \$483,019. The County's insured property values increased by 2%, while the overall premium rate decreased by 1.09%. Quotes for flood insurance were reviewed; however, purchasing the coverage is not feasible at this time as premium costs remain high.

PEPIP is a property insurance program which has more than 8,500 insureds located in 45 states. The program was started in 1993 and includes cities, schools, universities, airports, seaports, states, districts and hospitals. This program is the largest property placement in the world with approximately \$430 billion in insured values and is administered by Alliant Insurance Services, Inc. PEPIP is designed to provide flexibility for each of the separate entities, allowing them to elect various coverages and deductibles. The placement of this coverage is provided by a combination of layering and quota sharing with assorted Domestic, Bermuda and London insurance companies. These carriers have A.M. Best management ratings of A- or better.

PEPIP is divided into towers which include various other public entities. The County has been placed in a tower with sixteen other members. The insureds in a given tower share a \$1 billion each occurrence limit for the all-risk coverage (i.e. fire). However, the earthquake limit of \$50 million is specifically purchased by and dedicated to Washoe County. The tower does not include any other northern Nevada entities.

The program provides a broad manuscript form which includes all-risk property coverage, boiler and machinery coverage and terrorism coverage. Limited pollution liability and cyber liability have been included. The program also includes coverage for physical damage to scheduled vehicles both on and off-premises. All buildings over \$5M in replacement value will be appraised once every five years with no additional cost to the County. Claims are paid by Alliant Insurance Services Inc. located in San Francisco.

**FISCAL IMPACT**

The total cost for the renewal of the aforementioned insurance policies is:

Excess Workers' Compensation:	\$266,205
Property:	<u>\$487,121</u>
<b>Total</b>	<b>\$753,326</b>

Together, this is a net increase of \$27,720 or 3.8% from FY 16/17 premiums. Sufficient budget authority for the premium expenditures exists in the approved budget for FY17/18 in cost center 195054—account 710595 and cost center 195053—account 710595.

**RECOMMENDATION**

It is recommended that the Board of County Commissioners authorize the Comptroller to renew the Excess Workers' Compensation Insurance Policy with New York Marine and General Insurance Company for one year at a premium of [\$266,205] and the Property Insurance Policy with the Public Entity Property Insurance Program for one year at a premium of [\$487,121] effective July 1, 2017 and authorize the Comptroller's Office to sign the applications and agreements necessary to bind coverage, with funding from the Risk Management Fund.

**POSSIBLE MOTION**

Should the Board agree with staff's recommendation, a possible motion would be:

Move to authorize the Comptroller to renew the Excess Workers' Compensation Insurance Policy with New York Marine and General Insurance Company for one year at a premium of [\$266,205] and the Property Insurance Policy with the Public Entity Property Insurance Program for one year at a premium of [\$487,121] effective July 1, 2017 and authorize the Comptroller's Office to sign the applications and agreements necessary to bind coverage, with funding from the Risk Management Fund.